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H.R. 2419 – Farm Bill Extension Act of 2007

EXECUTIVE SUMMARY

The House is expected to consider H.R. 2419 pursuant to a structured rule on July 26, 2007. CBO reports that the bill would bring total spending for the USDA programs in the bill to over $600 billion over the next ten years and the bill would increase direct spending by $17.5 billion over 10 years, although the bill contains language to delay over $5 billion in costs from federal insurance payments and other programs until after 2017. Republicans on the House Budget Committee estimate that the real cost of the bill is $22.6 billion over 10 years.

The omnibus farm bill is traditionally reauthorized every 5 years and contains a wide range of programs including price supports for agricultural commodities, and federal subsidies for: farmers' income, farm credit, agricultural conservation, research, rural development, and foreign food aid, among others; many of these programs are set to expire in 2007.

The bill was reported, as amended, from the Committee on Agriculture by voice vote awaiting additional amendments to be considered in the Rules Committee to offset the substantial costs of the bill. The rule for H.R. 2419 will automatically adopt 5 controversial amendments to the bill, including the Manger's Amendment, the "en bloc" amendments regarding reserve funds in the bill, and the cost offsetting amendments. The offsetting amendments finance the bill with tax increases on foreign-owned American businesses.

The bill includes a number of controversial provisions including increasing federal farming subsidies for producers of wheat, barley, oats, soybeans, seeds, and cotton textile mills. Additionally, the bill removes the payment cap on the number of payments an individual can receive in federal loan payments. The Energy title of the bill includes a provision to apply Davis-Bacon regulations regarding the wages paid to laborers who are employed by funds provided in this legislation. The President's senior advisors have stated that if the bill were presented to the President in its current form, they would recommend that he veto the bill.

FLOOR SITUATION

H.R. 2419 is being considered on the floor pursuant to a structured rule. The rule:

> Provides one hour of general debate equally divided and controlled by the Chairman and Ranking Member of the Committee on Agriculture.
>
> Waives all points of order against consideration of the bill except for clauses 9 (earmarks) and 10 (PAYGO) of Rule XXI.
>
> Provides that the amendment in the nature of a substitute recommended by the Committee on Agriculture now printed in the bill, modified by the amendments printed in Part A of the Rules Committee report, shall be considered as adopted in the House and in the Committee of the Whole. The bill as amended shall be considered as an original bill for the purpose of further amendment and shall be considered as read.
>
> All points of order against provisions in the bill, as amended, are waived.
>
> No further amendments shall be in order except those amendments printed in Part B of the Rules Committee report and amendments en bloc described in section 3 of the resolution.
>
> Provides that further amendments made in order in Part B may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole.
>
> Waives all points of order against amendments printed in the report and amendments en bloc described in section 3 of this resolution except for clauses 9 (earmarks) and 10 (PAYGO) of Rule XXI.
>
> Allows the Chairman of the Committee on Agriculture to offer amendments en bloc consisting of amendments printed in part B of the Rules report not earlier disposed of or to offer germane modifications to such amendments.
>
> Provides one motion to recommit with or without instructions.
>
> Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration of the bill to a time designated by the Speaker.

The bill was introduced by Representative Collin Peterson (D-MN) on May 22, 2007. The House Committee on Agriculture reported H.R. 2419, as amended, on July 23, 2007.

The bill is expected to be considered on the floor on July 26, 2007.

SUMMARY
**Note: Below is a summary of the major programs and provisions of H.R. 2419.*

Title I – Commodities

Direct Payments
The bill extends the program of direct payments to commodity producers at the current payment rates. The program includes producers of ten commodities: wheat, corn, sorghum, barley, oats, upland cotton, rice, soybeans, peanuts, and minor oilseeds. A fixed rate is set for each commodity and the crop producers receive an annual sum based on their individual, historical levels of production.

Target Prices
The legislation increases the target prices for wheat (+ 0.23), barley (+ 0.49), oats (+ 0.06), soybeans (+ 0.30), and minor oilseeds (+ 0.014) and reduces the target price for upland cotton (- 0.024). For the ten commodities with federal target prices, the government agrees to pay the difference if the market price for a crop falls below the established target price.

**Note: The target prices for corn, sorghum, rice and peanuts remain unchanged.*

Loan Rates
Loan rates are adjusted in the bill for 11 of the 21 commodities that are eligible for federal "non-recourse, marketing loans." The loans are considered "non-recourse" because the crops themselves are put up as collateral for the loans and can serve as payment for loans if prices fall below the loan rate. If the crops sell for a higher price, then the producer repays the loan with interest, and if the market price does not rise above the loan rate then the producer gives the government their stock of crops as payment for the loan. Alternatively, a producer can forgo the loan and instead receive a Loan Deficiency Payment instead, which prevents the government from becoming the owner of stocks of crops if prices fall. In H.R. 2419 the loan rates are increased for wheat, malt barley, feed barley, oats, minor oilseeds, small chickpeas, non-graded wool, sugar beets, and sugar cane. The loan rates are decreased for dry peas and for lentils and the remaining ten commodities' loan rates remain unchanged.

**Note: The Administration's Statement of Administration Policy on H.R. 2419 states that "The Administration strongly opposes increases in target prices (income support levels) and loan rates (minimum farm prices) for program crops and sugar, as they would shift the balance of support in a more potentially trade-distorting direction and possibly would encourage farmers to plant for government payments rather than according to market demand."*

Removal of Loan Benefit Cap

The bill removes the current $75,000 limit on the amount of federal marketing loan benefits one individual may receive in a year.

**Note: The Administration's Statement of Administration Policy on H.R. 2419 states that "The Administration strongly opposes the complete elimination of the payment cap on marketing loan payments, which would undermine the partial reform of payment limits in the bill and allows the largest producers to capture even larger subsidy payments."*

<u>Cotton</u>
The target price of upland cotton is decreased by 0.024 cents per pound, and a new payment for cotton mills is introduced to pay 4.0 cents per pound of upland cotton that is processed in a mill, regardless of the origin of the cotton.

<u>Sugar</u>
The loan rates for cane sugar are increased by 0.5 cents a pound, and the loan rate for beet sugar is increased by 0.6 cents a pound. This bill also makes domestic marketing allotments for sugar mandatory. These allotments control the price of sugar by establishing the amount of sugar that U.S. companies are allowed to sell in a given year in tandem with the amount of sugar imports that are allowed to enter U.S. markets from foreign countries. The bill also includes a new provision that allows U.S. sugar producers to sell any excess sugar, produced beyond the allotted amount, for use in bio-energy generation, as opposed to having to put the sugar in storage awaiting future sale.

<u>Dairy</u>
The Milk Income Loss Compensation (MILC) program is reauthorized through 2012, the program compensates dairy producers when domestic milk prices fall below a specified level. The bill authorizes milk producers to voluntarily enter into forward contracts with milk handlers, where producers can choose to enter into agreements setting the price of the milk they sell over a period of time in a contract.

<u>Three Entity Rule</u>
The bill establishes a new rule that producers, who can currently collect farm program payments on up to three separate business entities, will only be able to collect payments on one business entity.

<u>Income Cap to Receive Federal Payments</u>
The bill creates a cap on the level of income an individual can receive and still collect federal conservation and farm program payments. An individual with an average gross adjusted income (AGI) of $500,000 to $1 million is not eligible for federal conservation or farm payments unless 66.66% percent or more of their income is derived from agriculture, and individuals with an average AGI of over $1 million are not eligible for federal conservation or farm payments.

**Note: Current law sets an individual's average AGI cap at $2.5 million before they are ineligible for federal conservation or farm payments. The Administration's Statement of Administration Policy on H.R. 2419 states that "The Administration does not support* *subsidies to farmers with an [AGI] above $200,000…who are among the wealthiest 2 percent of American taxpayers."*

One-Time Choice
Producers are given a one-time choice between participating in the current counter-cyclical program (CCP), which provides payments to farmers when market prices are below the established target price or a new, revenue based counter-cyclical program that provides payments to farmers when the actual national revenue for a crop falls below the national target revenue for the crop.

**Note: CBO estimates that enacting Title I of H.R. 2419 would reduce direct spending by $865 over the 2008-2012 period.*

Title II - Conservation
This title would reauthorize and expand land conservation programs administered by USDA, and represents a nearly 30% increase in conservation resources.

Wetlands Reserve Program (WRP)
The WRP is renewed and expanded, the program receives $1.6 billion to reestablish a baseline of spending and extend the program through 2012.

The Conservation Reserve Program (CRP)
The CRP is extended and the bill authorizes 39.2 million acres to be enrolled in the program through 2012.

The Conservation Security Program (CSP)
The CSP is restructured and the current structure is replaced with an annual stewardship enhancement payment to compensate producers for new and ongoing maintenance of conservation practices and activities. H.R. 2419 would end new contracts under the existing CSP beginning in FY2008, and resume enrollment in 2012 in a modified CSP that would be limited to spending $4.6 billion over the 2012-2017 period.

Grasslands Reserve Program (GRP)
Enrollment in the Grasslands Reserve Program is expanded by 1 million acres, at an estimated cost of $267 million over the 2008-2012 period and $312 million over the 2008-2017 period.

Environmental Quality Incentive Program (EQIP)
Funding for EQIP is increased by $1.1 billion over the 2008-2012 period and $4.1 billion over the 2008-2017 period.

Farm and Ranchland Protection Program
Funding for the Farm and Ranchland Protection Program is increased by $206 million over the 2008-2012 period and $1.1 billion over the 2008-2017 period.

Funding is increased by $50 million per year to the Small Watershed Enhancement Program and an average of $45 million per year is provided for a new Chesapeake Bay Program to reduce nutrient and sediment runoff.

**Note: CBO estimates that enacting Title II would increase costs by $2.9 billion over the 2008-2012 period and by $3.8 billion over the 2008-2017 period.*

<u>Title III – Trade</u>

<u>International Food Aid</u>
The international food aid programs operated by the USDA and USAID are extended through 2012, with $450 million devoted to development programs. CRS reports that the United States is the world's largest provider of food aid, accounting for 60% of total global food aid over the last decade (CRS: RL33934).

**Note: The Administration's Statement of Administration Policy on H.R. 2419 states that "The Administration strongly opposes a requirement to devote $450 million in [development program] funding to non-emergency programs without the ability to quickly waive it in an emergency. This provision would result in a $100 million decrease in emergency food aid."*

<u>WTO Compliance</u>
The Export Credit Guarantee Programs are reformed to bring them into WTO compliance, with changes including the removal of a 1% fee cap on an export credit program and the elimination of long term export credit.

**Note: These changes were made in response to a March, 2005 WTO ruling that the United States export credit programs functioned as export subsidies and were in violation of WTO rules.*

<u>Market Access Program (MAP)</u>
Funding for MAP, which promotes U.S. agricultural products overseas, is increased by $125 million between FY2008 – FY2012.

**Note: CBO estimates that enacting Title III would increase direct spending by $97 million over the 2008-2012 period and $237 million over the 2008-2017 period.*

<u>Title IV - Nutrition</u>

<u>Food Stamp Program</u>
The bill changes the name of the Food Stamp Program to the "Secure Supplemental Nutrition Access Program" (SNAP)

<u>The Food Stamp Act</u>

The Food Stamp ACT (PL 108-269) is reauthorized through 2012. The bill does make a few modifications to the Act. For instance, it requires the use of Electronic Benefit Transfer (EBT) cards instead of food stamp coupons for use to reduce abuse and fraud. States will not longer be allowed to issue stamps, coupons, authorization cards, or certificates for the exchange of goods.

<u>Prohibition of Privatization</u>
This legislation prohibits the Department of Agriculture from using private employers for food stamp program operations.

**Note: The Administration's Statement of Administration Policy on H.R. 2419 states that "the Administration strongly opposes the Committee's proposal to restrict States' ability to competitively source Food Stamp Program functions in an effort to streamline and improve the program's administration."*

<u>The Emergency Food Assistance Program</u>
TEFAP is extended to FY2012 and is funded at $250 million. TEFAP is responsible for helping to provide commodities to States and stocking food banks and homeless shelters.

<u>Commodity Supplemental Food Program</u>
CSFP is extended through 2012 and the bill requires the Secretary to establish income eligibility standards along with other risk criteria for participation.

<u>Richard B. Russell National School Lunch Act</u>
The bill extends and expands this Act to include all 50 States and to 35 schools in each State. The bill calls for $50 million to be expended during FY2008 and FY2009, and $75 million each year during the 2010-2012 period.

**Note: The Administration's Statement of Administration Policy on H.R. 2419 states that "The Administration opposes Section 4303 [the Richard B. Russell National School Lunch Act], which would expand the Fruit and Vegetable Program to all States and would increase direct spending by $350 million over five years. The Administration's farm bill proposal increases the availability of fresh fruits and vegetables through the school meal programs that make better use of existing purchase authorities and existing programs."*

<u>Income Deductions</u>
The bill increases the minimum standard deduction from gross income to $145 a month (the current standard deduction is 8.31% or $134) for FY2008 and in subsequent years would hinge on Consumer Price Index for Urban Consumers. The bill also eliminates the cap of dependent care costs.

**Note: CBO estimates that the above paragraph, if implemented, would increase direct spending by $2.4 billion during the FY2008-2012 period.*

<u>Seniors Farmer's Market Nutrition Program</u>

This program is extended and the funding is increased up to $75 million per year by FY2012.

**Note: CBO estimates that Title IV, upon enactment, would increase direct spending by $4.2 billion during the FY2008-2012 period.*

Title V - Farm Credit

Credit Availability Expansion
The bill expands credit availability for farmers and ranchers by increasing the farm ownership loan limit and the operating loan limit to $300,000. Currently, the FSA limits maximum direct loans to $200,000 per borrower.

Loan Guarantee Program
A loan guarantee program is established to help farmers carry out conservation programs. The program requires the Secretary, when making or guaranteeing loans for soil and water conservation and protection, to give priority to: qualified beginning farmers or ranchers; socially disadvantaged farmers or ranchers; producers who use the loans to build conservation structures or establish conservation practices.

Priority for Disadvantaged and Beginning Farmers
The bill requires that socially disadvantaged and beginning farmers and ranchers receive priority in credit programs.

Land Contract Pilot Program
The program provides loan guarantees to sellers who self-finance the sale of land to beginning farmers and ranchers. The bill extends the current 2-year limit on payment guarantees to 3 years and provides land sellers the option of choosing either the 3 year guarantee or a standard 90% guarantee.

Tribal Land Acquisitions Loan Program
Additional tools are provided to help Native American producers keep tribal lands in agricultural production and the bill amends the current program to allow individual tribal members to utilize the program.

Farm Credit System Lending Authority

> *Agribusiness for Renewable Energy Activities:* Authorizes Farm Credit banks to provide credit and financial services to agribusinesses only to the extent that their business activities are directly related to renewable energy. (Requires that the business be primarily engaged in one of the following activities: processing, preparing for market, handling, purchasing, testing, grading, distributing, or marketing farm or aquatic products or one that is primarily engaged in furnishing farm or aquatic business services, or farm or aquatic supplies directly to farmers, ranchers, or harvesters of aquatic products.)

Rural Definition for Housing Loans: Amends the definition of “rural area,” for loans with respect to housing purposes, to a city or town that has population of greater than 6,000 inhabitants. Current law defines a rural area as a community of 2,500 inhabitants or less.

Majority Farm Control of Farmer Cooperatives: Modifies the required farm ownership criteria for cooperatives seeking Farm Credit financing from to 80% to 50%.

Title VI – Rural Development

Definition of “Rural”
The bill requires the Secretary to reassess the definition of “rural” and make recommendations regarding its meaning.

Rural Cooperative Development Grants
This legislation authorizes $50 million per year through 2012. Rural Cooperative Development grants are made for establishing and operating centers for cooperative development for the purpose of improving the economic condition of rural areas through the development of new cooperatives and improving operations of existing cooperatives.

Broadband Telecommunications
“Eligible rural community” is defined as an area not within the boundaries of a city or town of more than 20,000 people AND not in the urbanized area contiguous to such a city or town. The bill modifies the definition of Incumbent Service Provider, reducing the size of the percentage area served from 15% to 5%. The title also includes language prohibiting the Secretary from making a broadband loan to any community in which there are three or more incumbent service providers OR where more than 75% of the residences in that community have access to affordable broadband provided by at least one incumbent service provider.

Value-Added Agricultural Marketing Development Program
The bill includes $30 million in mandatory funds for this program by creating a definition of mid-tier value chains.

Title VII: Research

Competitive Research Grants
Competitive research grants for high priority research receive an authorization of $500 million each year through FY2012.

Specialty Crop Research Initiative
The bill provides $215 million for the USDA’s Specialty Crop Research Initiative to provide science-based tools for the specialty crop industry. The USDA defines the

specialty crop industry as the producers and handlers of fruits, tree nuts, vegetables, melons, potatoes, and nursery crops, including floriculture.

New Research Office
The National Agriculture Research Program Office is created in this bill to coordinate the programs and activities of the USDA's multiple research agencies and the bill establishes an office to administer competitive grant programs under the National Institute for Food and Agriculture.

**Note: CBO estimates that enacting Title VII would increase direct spending for research on organic agriculture and specialty crops by $265 million over the 2008-2017 period.*

Title VIII – Forestry

Healthy Forests Reserve Program
The bill provides $17 million a year in new mandatory funding for the Healthy Forests Reserve Program, a voluntary program established in the Healthy Forests Restoration Act of 2003 for the purpose of "restoring and enhancing forest ecosystems to: 1) promote the recovery of threatened and endangered species, 2) improve biodiversity; and 3) enhance carbon sequestration."

**Note: CBO estimates that the Healthy Forest Reserve Program would cost $70 million over the 2008-2012 period and $85 million over the 2008-2017 period.*

State-Wide Assessments
As a prerequisite to receiving federal funds for private forestry programs, the bill requires states to complete an assessment of forest resources and develop a strategy to deal with forest threats.

Emergency Forest Restoration Program
The bill establishes a new Emergency Forest Restoration Program with discretionary funding to help private forest owners recover forests after disasters.

Title IX—Energy

Loan Guarantees For Biorefineries and BioFuel Production Plants
The bill provides $2 billion for loan guarantees to finance the development of biorefineries and biofuel production plants to demonstrate the commercial viability of converting biomass to fuels or chemicals. These guarantees can cover up to 90 percent of the loan, with the total value of the principle and interest guaranteed to be split between small plants and larger plants.

Davis-Bacon Labor Provisions

This section of the bill includes a requirement that local prevailing wages (Davis-Bacon) be paid to workers in all construction projects funded by the grants or loans under this section.

**Note: The Administration's Statement of Administration Policy on H.R. 2419 states that "the Administration is strongly opposed to the expansion of Davis-Bacon Act requirements to grants and loan guarantees for ethanol plant construction projects."*

<u>Renewable Energy Systems and Energy Efficiency Improvements</u>
The bill reauthorizes and increases funding for grants, loans, and loan guarantees to farmers, ranchers, and rural businesses to use for purchases of renewable energy systems and energy efficiency improvements. It provides $50 million for FY2008, up from $3 million currently authorized. The level of funding increases to $150 million by 2012.

<u>Farm Energy Production Pilot Program</u>
The bill directs the Secretary of Agriculture to start a pilot grant program that focuses on making farms energy neutral using existing technology.

<u>Sugar for Ethanol and other Biofuel Producers</u>
The bill requires the Secretary to purchase sugar for resale to ethanol or other biofuels producers if the sugar supply was in excess and would otherwise be forfeited to the Commodity Credit Corporation.

Note: The Commodity Credit Corporation is a government owned corporation that serves to support farm income, prices, and exports.

<u>Title X – Horticulture and Organic Agriculture</u>

<u>Cargo Inspections</u>
The text of the bill contains a provision to return the responsibility of inspecting imports and goods entering the United States from the Customs and Border Protection agency in the Department of Homeland Security (DHS) back to the Animal and Plant Health Inspection Service (APHIS), in the USDA. In 2002, the newly created DHS assumed responsibility for inspecting incoming cargo for agricultural pests and diseases with the transfer of the Agricultural Quarantine Inspection program (AQI). Many agricultural industry groups and state Departments of Agriculture have expressed concerns that the agricultural inspection mission does not fit well within the mission of DHS. The Manager's Amendment to H.R. 2419 removes this provision, maintaining the status quo.

**Note: The Administration's Statement of Administration Policy on H.R. 2419 states that "The Administration strongly opposes the transfer of AQI from DHS to the USDA. The Administration asserts that such a transfer of employees would divert attention from the real mission, delay any efforts to identify needed improvements, and set the program back for another several years while yet another readjustment occurs for both USDA and*

DHS. Agricultural industry groups feel that the possibility of mission failures within DHS place the industry at greater risk associated with pest and disease introductions if the transfer does not occur."

Pest and Disease Detection and Control

USDA pest and disease detection and control programs receive $200 million in mandatory funding. The USDA is directed to develop a new program to conduct activities related to early pest detection and disease surveillance, threat identification and mitigation, and audit-based certifications in collaboration with state agencies and the specialty crops industry.

**Note: CBO estimates that this new program will increase direct spending by $509 million over the 2008 – 2017 period.*

Specialty Crop Block Grant Program

The Specialty Crop Block Grant Program is increased each year under the bill from $40 million FY2008 to $75 million in FY2012. This funding, which has traditionally been discretionary funding, is converted within the bill to mandatory spending.

**Note: CBO estimates the block grant program will cost $310 million over the 2008-2012 period.*

Honey Bees

The Secretary of Agriculture is required to submit an annual report to Congress on the causes of the honey bee colony collapse with recommendation on methods to prevent further bee colony losses.

Organic Certification Cost-Share Program

The Organic Certification Cost-Share Program, funded in the 2002 farm bill with $5 million in mandatory funding, is extended through 2012 with an additional $22 million. This program offers producers up to $750 per year to pay a portion of their expenses associated with the certification process.

Title XI – Miscellaneous

Supplemental Area-Based Crop Insurance

The bill allows producers to purchase supplemental area-based crop insurance wherein the Federal Crop Insurance Corporation would pay a portion of the insurance premium of the supplemental coverage. This provision is paid for by improving the actuarial soundness of crop insurance by reducing the loss ratio to 1.0.

Delayed Insurance Availability for Non-Farmed Land

Crop insurance coverage is denied for four years to producers who plant crops on grassland or pasture that has never been farmed. After 4 years, the level of insurance will be determined based on the actual production history of the land.

Renegotiation of Reinsurance Agreements
Starting in 2012, the bill authorizes the Federal Crop Insurance Corporation to renegotiate the financial terms of the Standard Reinsurance Agreement that is signed with private insurers. The provision allows that approved insurance providers may confer with each other during the renegotiation process.

**Note: The Administration's Statement of Administration Policy on H.R. 2419 states that "The Administration opposes the provision allowing crop insurance companies to collude during the renegotiation of financial terms of the standard reinsurance agreement, which would likely raise consumer prices and government costs."*

Country of Origin Labeling (COOL)
The bill modifies the mandatory Country of Origin Labeling (COOL) statute for meat. Implementation of the mandatory country-of-origin law had been postponed previously, most recently in the 109th Congress' FY2006 Agriculture Appropriations bill, which established September 30, 2008 as the implementation date. The bill creates four categories of labeling to accommodate the complex nature of meat production. The use of U.S. label is limited to covered commodities (beef, pork, lamb & goat) derived from animals that were exclusively born, raised, or slaughtered in the United States. Covered commodities from animals not exclusively born, raised, or slaughtered in the United States are to be labeled accordingly with three other labels characterizing their countries of origin. Provisions to eliminate the recordkeeping burden on the meat production sector, including producers, were a part of this agreement. Additionally, a grandfathering provision is included to ease the transition into the mandatory COOL program.

**Note: CBO estimates that enacting Title XI would reduce direct spending by $3.5 billion over the 2008-2012 period.*

AMENDMENTS
(The rule for H.R. 2419 made in order 5 amendments in **Part A** of the rule, which will be automatically adopted on passage of the rule, and an additional 31 amendments in **Part B** of the rule, which may be introduced by the sponsor listed in the rule and will be individually debated on the floor.)

Part A

En Bloc Amendments
The rule for H.R. 2419 includes an "en bloc" amendment, which includes $16.9 billion in proposals over the 2008 and 2009 period. The proposals within the "en bloc" amendment would only be included if "sufficient offsets become available."

The Democrats have indicated that they will use two offsets to pay for part of the "en bloc" amendment -- $6.45 billion in legislative provisions. Those legislative provisions can be found at: http://www.rules.house.gov/110/text/110_hr2419_enbloc.pdf

First, $2.6 billion in revenue raised in the CLEAN Energy Act of 2007 (HR 6), which passed the House of Representatives on January 18, 2007, would be used to offset the energy portion of the amendment (within Title IV).

The additional $4 billion required to offset the nutrition portion (within Title IX) would be offset by tax increases in HR 3160, which was introduced by Representative Doggett on July 24, 2007. Under current law, when U.S. subsidiaries of foreign companies pay rents, royalties or interest to a related foreign company a 30% tax is imposed through withholding. Under the terms of 58 tax treaties with 66 other countries, the 30% rate can be reduced or eliminated. The provision would apply a higher withholding rate, possibly even 30%, on such payments if the parent company of the foreign company is itself located in a third country that has a higher withholding rate. According to the Ways and Means Committee (Republicans), this legislation will make it far less attractive for foreign-based companies to initiate or expand operations in the United States, abrogates the United States' treaty obligations, and could invite retaliation. The Committee also notes that the Treasury Department possesses tools to prevent the treaty shopping abuses the bill claims to target.

The Committee also notes that unlike traditional income tax withholding, the withholding applied to these payments is the final tax; the foreign company has no later opportunity to use credits or deductions to demonstrate that they are entitled to a refund of amounts withheld.

The Statement of Administration Policy noted: "this provision would adversely affect job creation in the U.S. and relationships with our major trading partners and could provoke retaliation in the form of higher foreign taxes on U.S. firms."

**Note: The Doggett language, including the tax increase, will be added to the base bill by the rule.*

<u>Nutrition Title - $4 Billion</u>

Expands Food Stamp benefit rules:

- Would increase the standard deduction for food stamp households and index it for inflation. (This would raise it to at least $145 (from $134) in the 48 contiguous states and the D.C., $248 (from $229) in Alaska, $205 (from $189) in Hawaii, $128 (from $118) in the Virgin Islands, and $291 (from $269) in Guam.
- Increases the minimum benefit for food stamp recipients from $10 per month to 10% of the "thrifty food plan" as determined by the Secretary.
- Indexes asset limits and excludes retirement and education accounts as assets.
- Lifts dependent care cap, allowing participants to deduct the full cost of dependent care
- Excludes special combat pay as income

- **Expands the Emergency Food Assistance Plan**

  Increases the purchases of food assistance commodities from $140 million for year, 2008-2012, to $250 million for FY 2008, and for the years 2009-2012, the amount adjusted by the amount for which the "thrifty food plan" has been adjusted.

<u>Energy Title - $2.7 billion</u>

Federal Procurement of Biobased Products
Adds $10 million over the five year period for Federal Procurement of Biobased Products

Loan Guarantee for Biorefineries and Biofuels Production Plants
Additional funding of $800 million over the five year period for loan guarantees for the development, construction and retrofitting of biorefineries and biofuel production plants to demonstrate the commercial viability of converting biomass to fuels or chemicals.

Renewable Energy Systems and Energy Efficiency Improvements
Adds an additional $500 million over the five year period to make grants and authorizes loans and loan guarantees to farmers, ranchers, and rural businesses to cover up to 25% of the purchase renewable energy systems and make energy efficiency improvements.

Adjustments to the Bioenergy Programs/ Incentives to Agricultural Producers
Expands and increase funding of $1.4 billion over the five year period to provide incentives to producers for increases in production of ethanol and biodiesel made from agricultural and forestry crops and associated waste materials.

Reauthorizes Research, Extension, and Education Programs on Biobased Energy Technologies and Products

Biodiesel Fuel Education Program - Funds at $10 million

Biomass Energy Reserve - Creates a Biomass Energy Reserve Program to encourage production of crops for renewable fuels.

<u>Summary of Offsetting Amendments</u>
(As printed in the Rule for H.R. 2419)
"The amendment revises an existing exception to the Right to Financial Privacy Act of 1979 so that improper electronic payments can be traced and recovered. Revising the exception would permit the Federal Government to verify that the correct party is making electronic payments to, or receiving electronic payments from, the government. (CBO estimates this provision would reduce direct spending by $118 million over 5 years and $238 million over ten years.)

The amendment will prevent foreign multinational corporations that are organized in countries without tax treaties (generally countries with little to no income taxes, including Caribbean tax havens) from manipulating the U.S. tax treaty system to avoid U.S. taxes.

This will not affect any U.S. based multinationals and it would have little or no impact on foreign multinationals organized in with tax treaties. (CBO estimates that this amendment would provide $4 billion in the first five years and a total of $7.5 billion over 10 years.)"

Summary of Manager's Amendment:
(As printed in the Rule for H.R. 2419)
"Commodity programs: Makes technical changes to achieve full savings from elimination of advanced direct and partial counter-cyclical payments.
Conservation: Establishes a pilot conservation program to create incentives for peanut crop rotation. Includes the Sacramento River Watershed as a priority area for RWEP. Provides air quality funding under Conservation Innovation Grants. Provides that only land enrolled in general Conservation Reserve Program sign-ups is eligible for early termination.
Trade: Adds reporting and study requirements. Establishes authorization of food aid programs at $2.5 billion annually. Increases authorization for Famine Prevention and Relief. Makes tobacco ineligible for MAP.
Nutrition: Authorizes a competitive grant program to improve underserved communities' access to healthy foods. Provides a Sense of Congress on "food deserts". Establishes the Healthy Food Urban Enterprise Development Program. Encourages FAPRI-University partnerships related to specialty crop research.
Credit: Authorizes the Secretary to make and insure loans to eligible purchasers of highly fractioned land.
Meat and Poultry: Strikes Sense of Congress Regarding State Inspected Meat and Poultry Products.
Pigford Claims: Would allow claimants who met the certain criteria of a civil action relating to racial discrimination based on the USDA but denied a mechanism for redetermination based on the merits of their claims. Provides funding for claims.
Cool: Provides that for perishable agricultural commodities and peanuts, such products may only be labeled as having a United States country of origin if the commodity is exclusively produced in the United States.
APHIS: Strikes provision moving certain border inspection functions from the Department of Homeland Security to USDA.
National Drought Preparedness Act of 2005: Establishes the National Drought Council.
Crop Insurance: Provides for the Corporation to pay a portion of premiums for area revenue plans.
Diary: Provides for a refund of assessments on certain imported dairy products.
Wastewater infrastructure: Requires GAO study of rural communities along U.S.-Mexico border.

Adds new language which provides mandatory (as opposed to discretionary) spending for the McGovern-Dole International Food for Education and Child Nutrition Program and helps pay for the program through additional savings in the Federal crop insurance program; Imposes a "conservation of resources fee" on oil or gas produced from certain OCS deepwater leases unless contractual agreements require royalties to be paid when market prices exceed specified thresholds. This provision would apply to production by firms that would not, under current law, voluntarily revise the terms of leases issued in 1998 and 1999 that provide royalty relief regardless of the market price of oil and gas. The amendment would also repeal provisions of the Energy Policy Act of 2004 that preclude the Bureau of Land Management from collecting certain fees; provide additional royalty relief for oil and gas produced from the Outer Continental Shelf from ultra-deep wells, very deep waters and Alaska; and authorize the Secretary of the Interior to modify the terms of oil and gas leases in the National Petroleum Reserve in Alaska. (CBO estimates that these provisions would reduce direct spending by $2.435 billion over five years and $6.125 billion over ten years.)"

Part B

Summary of Amendments Proposed to be Made in Order:
(As printed in the Rule for H.R. 2419)

"Reps. Frank (D-MA)/Bachus (R-AL) - #10 The amendment strikes five sections from Title V of the bill (Agribusiness loan eligibility, Loan-to-asset value requirements, Population limit for single-family housing loans, Majority farmer control requirement, and Borrower stock requirement), which expand the lending authority of the Farm Credit System."

"Rep. Goodlatte (R-VA) - #65 The amendment streamlines and adopts one set of terms and conditions of easements for the Wetlands Reserve Program (WRP), Grasslands Reserve Program (GRP), Farmland and Ranchland Protection Program (FRPP), and Healthy Forest Reserve Program (HFRP)."

"Rep. Lucas (R-OK) - #58 The amendment would make livestock producers eligible for livestock assistance programs regardless of whether they had Noninsured Crop Disaster Assistance (NAP) coverage."

"Rep. Cardoza (D-CA) - #69 The amendment requires USDA to transition Animal and Plant Health Inspection Service (APHIS) employees responsible for plant pest inspection duties back to USDA from the Department of Homeland Security in order to better serve the needs of American agriculture."

"Reps. Boustany (R-LA)/Alexander(R-LA) - #94 The amendment states that in the case of sweet potatoes, Risk Management Agency Pilot Program data shall not be considered for purposes of determining production for the 2005-2006 Farm Service Agency Crop Disaster Program."

"Rep. Jackson-Lee (D-TX) - #101 The amendment is intended to express the sense of Congress that the food available to schoolchildren under the school breakfast and lunch program should be selected so as to reduce the incidence of juvenile obesity and to maximize nutritional value."

“Rep. Hastings (D-FL) - #75 The amendment adds a new section for "Pollinator Protection" that authorizes research funding to reduce North American pollinator decline and understand Colony Collapse Disorder. This amendment also adjusts USDA conservation programs to put a greater emphasis on increasing habitat and establishing cropping and integrated pest management practices to protect native and managed pollinators.”

“Reps. Arcuri (D-NY)/Welch (D-VT)/Gillibrand (D-NY) - #21 The amendment expresses the Sense of Congress that the Secretary of Agriculture should use existing authority when determining the Class I milk price mover to take into account the increased cost of production, including energy and feed.”

“Rep. Welch (D-VT) - #53 **(REVISED)** The amendment encourages schools to submit plans for implementation to the Secretary that include locally grown foods, in areas where available. Also, adds a provision to provide distribution of the program fairly to all States.”

“Reps. Welch (D-VT)/Arcuri (D-NY) - #54 The amendment adds a provision to the review process for the Federal Milk Marketing Order Review Commission to include an evaluation of cost of production variables, including cost of feed and cost of fuel. Additionally, it encourages the Commission to be regionally diverse, and moves up the date from 24 months to 18 months after the enactment of this bill.”

Rep. Rangel (D-NY) - #24 The amendment removes certain banking restrictions related to Cuba’s payment for agricultural purchases from U.S. producers. It also authorizes direct transfers between Cuban banks and U.S. banks and allows visas to be issued to conduct activities related to purchasing U.S. agricultural goods.

“Rep. Boehner (R-OH) - #23 The amendment would replace the current daily posted county prices (PCPs) used for determining loan deficiency payment rates and repayment rates for marketing assistance loans with a monthly PCP for each crop. It would revise requirements for establishing a producer’s loan deficiency payment (LDP) and loan repayment rate to be based on the month that beneficial interest is lost. The amendment aims to address farmers taking advantage of short-term market events to lock in artificially high loan deficiency payments, while actually selling the commodity later at prices well above the loan rate.”

“Rep. Johnson, Eddie Bernice (D-TX) - #25 The amendment adds the additional point to Subtitle B of the research title that emphasis should be placed on proposals that examine the efficacy of current agriculture policies in promoting the health and welfare of economically disadvantaged populations (in addition to supporting research/ health promotion to “solve the problems of nutritional inadequacy).

“Rep. Manzullo (R-IL) - #50 **(REVISED)** The amendment exempts the Environmental Quality Incentives Program (EQIP) from the $60,000 and $125,000 payment limitations, resetting it to the $450,000 limitation that is in the current law.”

“Rep. Blumenauer (D-OR) - #38 The amendment would make conservation easements purchased through a transferable development rights program eligible for grants under the Farm and Ranchland Protection Program. Transferable Development Rights (TDR) programs are a voluntary, market-based tool used by states and cities to protect farmland, private property rights, and taxpayer dollars by allowing the transfer of development rights from one parcel of land to another.”

“Rep. Latham (R-IA) - #83 The amendment amends the Household Water Well System Program, which makes grants to non-profit organizations to finance the construction, refurbishing, and servicing of individually owned household water well systems in rural areas for individuals with low or moderate incomes, to allow the use of in-kind contributions to meet the required federal funding match of 10%. The amendment also clarifies that in-kind contributions used to meet the match can be for no purpose other than to administer the water well grant program.”

“Rep. Berry (D-AR) - #16 The amendment will prohibit non-profit organizations with more than $50 million in direct public support from receiving conservation payments.”

“Reps. Davis, Danny (D-IL)/Kirk (R-IL) - #45 **(REVISED)** The amendment strikes the sugar sections in the commodity title as well as the feedstock flexibility program for bioenergy producers, extending current programs until 2012.”

“Rep. Kind (R-WI) - #110 **(REVISED)** The Fairness in Farm and Food Policy Amendment will reform the farmer safety net to work better for small farmers at lower cost, reallocate funding to nutrition, conservation, specialty crops and healthy foods, rural development, and programs that benefit socially disadvantaged farmers.”

“Rep. Terry (R-NE) - #1 The amendment creates a competitive demonstration project designed to provide proof of concept in supplementing corn with sweet sorghum as an ethanol feedstock.”

“Rep. Udall, Mark (D-CO) - #42 The amendment reduces the direct payment rate for cotton by 2/3 of a cent. The resulting savings would be used to fund enrollment of 224,000 additional acres in the Grasslands Reserve Program.”

“Rep. Wu (D-OR) - #63 The amendment broadens the eligible universities by adding that universities that do work in alternative energy related fields, such as agriculture, chemistry, environmental sciences, bioengineering, biochemistry, natural resources and public policy are eligible for the biofuels from biomass internship program.”

“Rep. Clay (D-MO) - #89 **(REVISED)** The amendment would make grants to eligible entities to assist in purchasing operating organic gardens or greenhouses in urban areas for growing fruits and vegetables.”

“Reps. Israel (D-NY)/Doyle(D-PA) - #84 **(REVISED)** The amendment prohibits the marketing of medical devices by using live animals in demonstrations to market such devices and implements the recommendations by the USDA Office of the Inspector General for violations of the Animal Welfare Act."

"Rep. Putnam (R-FL) - #60 The amendment prohibits individuals from receiving farm conservation payments if their income exceeds $1 million, unless 75% of the income comes from farm income."

"Del. Bordallo (D-GU) - #96 The amendment authorizes a grants program to assist the land grant institutions in the U.S. territories in upgrading facilities and equipment in the agricultural and food sciences. It authorizes appropriations for five years in the amount of $8 million per year. It authorizes USDA to vary award amounts and to establish competitive criteria for the program."

"Rep. Cooper (D-TN) - #95 **(REVISED)** The amendment will comprehensively reform the federal crop insurance program, including the Administration's farm bill crop insurance proposals. This amendment saves approximately $4 billion while adding resources to the Grassland Reserve Program."

"Rep. Emanuel (D-IL) - #109 The amendment directs the USDA to investigate which estates have been receiving payments in the name of dead farmers and recoup payments made in the name of deceased individuals."

"Rep. Hall, John (D-NY) - #47 The amendment would establish a program to encourage environmentally responsible practices on actively farmed muck soil land."

"Reps. Hodes (D-NH)/Arcuri (D-NY) - #74 The amendment authorizes a grant program for state and local communities and governments known as the Community Wood Energy Program to use low-grade wood biomass in community wood energy systems for state and locally owned businesses such as schools, town halls, and courthouses."

"Rep. Shuler (D-NC) - #14 The amendment allows non-industrial private forest lands to be eligible for emergency restoration funds if the Secretary determines that insect or disease poses an imminent threat of loss or damage to those lands."

ADDITIONAL VIEWS

On July 25, 2007 the Bush Administration issued a Statement of Administration Policy on H.R. 2419 stating that "The Administration is concerned that the House bill "offsets" $4.7 billion in real spending with changes in the timing of direct, counter-cyclical, and crop insurance payments. These shifts in timing do not result in real savings to the taxpayers. The Administration would strongly oppose tax increases as offsets, and the unnecessary expansion of the Davis-Bacon authorities.

The final farm bill should include further real reform, should identify offsets without gimmicks or tax increases, and should not include an expansion of Davis-Bacon. The Administration believes these concerns can be addressed by continuing to work with

Congress. However, if the bill were presented to the President in its current form, the President's senior advisors would recommend that he veto the bill."

Click here to access the full text of the SAP on H.R. 2419.

COST

According to the House Budget Committee (Republicans), the Democrats have used $4.7 billion in time shifts in order to meet PAYGO requirements. These "savings" would be met by "delaying direct payments, countercyclical payments, and payments to crop insurers; and making early collections of crop insurance premiums."

The Congressional Budget Office (CBO) issued a cost estimate on July 23, 2007 that stated that "CBO has not completed an estimate of the full discretionary costs of implementing H.R. 2419." CBO did complete an estimate for the majority of the programs in H.R. 2419 as stated below:

"H.R. 2419 would amend and extend the major farm income support, food and nutrition, land conservation, trade promotion, rural development, research, forestry, energy, horticulture, and crop insurance programs administered by the U.S. Department of Agriculture (USDA).

CBO estimates that enacting the bill would increase direct spending for those programs by $5.8 billion over the 2008-2012 period and $17.5 billion over the 2008-2017 period. When combined with the estimated spending under CBO's baseline projections for those programs, enacting H.R. 2419 would bring total spending for those USDA programs to $286 billion over the 2008-2012 period and $614 billion over the 2008-2017 period.

Most of the estimated costs- $16.9 billion over the 2008-2017 period-are attributable to the "en bloc" amendment to titles IV and IX adopted by the committee. Without the effects of the Agriculture Committee's en bloc amendment, CBO estimates that the other provisions of H.R. 2419 would reduce direct spending by $607 million over the 2008-2012 period and increase direct spending by $577 million over the 2008-2017 period."

STAFF CONTACT

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